



**United States Department of Justice  
United States Attorney's Office  
District of Minnesota**



# **News Release**

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## **3 indicted for operating phony invoice scheme**

MINNEAPOLIS – B. Todd Jones, United States Attorney for the District of Minnesota announced that a federal indictment has been filed against three individuals in connection with a phony invoice scheme that defrauded an Eagan-based company out of nearly \$400,000. The indictment, originally filed under seal in U.S. District Court in Minnesota on March 17, 2010, was unsealed earlier today.

In connection to the scam, Clayton Craig Hogeland, age 40, of Aurora, Texas, was charged with five counts of mail fraud, two counts of conspiracy to commit mail fraud, two counts of conspiracy to commit money laundering, and three counts of tax evasion. His wife, Jennifer Rose Hogeland, age 36, was charged with three counts of tax evasion. Jeffrey Cole Bennett, age 49, of Lakeland, Tennessee, was charged with one count of mail fraud, one count of conspiracy to commit mail fraud, one count of conspiracy to commit money laundering, and two counts of tax evasion.

The indictment alleges that from January 2003 through April 2005, Clayton Hogeland and Bennett conspired to defraud Advantage Transportation, a freight transportation logistics provider headquartered in Eagan. Advantage contracts with customers who have freight to be transported as well as trucking companies that will move that freight. Clayton Hogeland was Advantage's general manager, and he hired his friend, Bennett, to be the sales manager for the company's Tennessee office in May 2003. Bennett was employed at Advantage through September 2006.

To perpetrate the fraud, Bennett allegedly submitted false invoices to Advantage for nonexistent goods and services from four shell companies he formed: Air Catering Solutions and

Marketing, Inc. (ACS Marketing), American Logistics Advisors, LTL Development.com, and Transportation Marketing Concepts. The indictment alleges Bennett formed three of those companies for the sole purpose of conducting the phony invoice scheme. Payment of the invoices was then approved by Clayton Hogeland, who, in addition, caused checks to be issued to the shell companies, allegedly knowing the invoices were fraudulent. Those payments purportedly totaled more than \$390,000 between January 2003 and April 2005.

Bennett allegedly kept approximately \$250,000 of that money for himself, while paying about \$140,000 in kickbacks to Clayton Hogeland. To conceal those kickbacks, the indictment claims that Bennett made the payments via checks issued to Clayton Hogeland's wife, Jennifer Hogeland, who endorsed and deposited the checks into the couple's joint bank account. In addition, Clayton Hogeland and Bennett allegedly routed the proceeds of the phony invoice scheme through Bennett's shell companies, knowing the transfers were designed to conceal the fact that the money had been obtained through fraud.

In furtherance of the scheme, Clayton Hogeland allegedly sent various items through the U.S. mail or commercial carriers, including a check in the amount of \$2,069.21, which was mailed to ACS Marketing, from Advantage, and was received by Bennett on March 17, 2005.

While employed by Advantage, Clayton Hogeland also allegedly orchestrated a second scheme, through which he conspired with others to run false "commission" payments through fictitious companies formed by two co-conspirators. This scam allegedly occurred after Advantage began providing freight transportation services to an airline company in 2003. One of the unnamed co-conspirators was employed by the airline and was responsible for arranging contracts with over-the-road shipping companies. At the direction of Hogeland, that co-conspirator formed a company, Flite Time, which Hogeland falsely characterized as a consultant, to be paid commissions from Advantage for freight assigned by the airline. As a result, between 2003 and 2005, the unnamed co-conspirator was allegedly paid more than \$90,000 in false "commissions" from Advantage, and Clayton Hogeland allegedly received \$22,000 of that money in kickbacks. All but two of the kickback payments were made by checks issued to Jennifer Hogeland, who deposited the funds into the couple's joint bank account. The remaining two checks were issued in Clayton Hogeland's name.

The indictment states that in 2005, Hogeland and the unnamed co-conspirator became concerned the co-conspirator's name was being associated with Flite Time. Therefore, Hogeland allegedly recruited a second unnamed co-conspirator to form a company that would replace Flite Time. That company, Air Cargo Consultants, purportedly began receiving the commission payments in 2005. In 2005 and 2006, more than \$180,000 in false commissions were allegedly paid by Advantage to Air Cargo Consultants. Out of those funds, Clayton Hogeland and the first co-conspirator each allegedly received \$30,000. Again, according to the indictment, the payments were made by checks issued to Jennifer Hogeland.

In furtherance of this scheme, Clayton Hogeland allegedly sent various items through the U.S. mail or commercial carriers, including checks on four dates. In addition, Clayton Hogeland allegedly routed the proceeds of the fraud scheme through the shell companies, knowing the transfers were designed to conceal the fact that the money was obtained through fraud.

The indictment further states that Clayton and Jennifer Hogeland failed to report to the Internal Revenue Service or pay taxes for tax years 2003 through 2005 on any of the money

obtained through the two fraud schemes. However, after learning the IRS was conducting a criminal tax investigation, the Hogelands allegedly sought to cover up their willful tax evasion by filing amended tax returns for tax years 2003 and 2004, which included the fraud income.

The indictment also alleges that Bennett failed to report to the Internal Revenue Service or pay taxes for tax years 2004 and 2005 on any of the money he obtained through the fraud scheme. However, after learning the IRS was conducting a criminal tax investigation, Bennett also allegedly sought to cover up his willful tax evasion by filing amended tax returns that included the fraud income.

If convicted, the defendants face a potential maximum penalty of 20 years in prison on each mail fraud count, 10 years on each money laundering conspiracy count, and five years on each mail fraud conspiracy count and tax evasion count. All sentences will be determined by a federal district court judge.

This case is the result of an investigation by the U.S. Postal Inspection Service and the IRS-Criminal Investigation Division. It is being prosecuted by Assistant U.S. Attorney Tim Rank.

In two related cases, two Texas men were charged via an information with one count of tax evasion. Carl Frey, age 54, of Trophy Club, Texas, and William Gregory Braswell, age 45, of Kennedale, Texas, were charged earlier today. According to the charging documents, Frey attempted to evade personal income taxes on more than \$50,000 in taxable income in tax year 2004 by using his company, Flite Time, to conceal income he received from a Minnesota-based transportation company. Braswell attempted to evade personal income taxes on more than \$100,000 in 2005 by using his company, Air Cargo Consultants, to conceal income he received from the same Minnesota-based company.

If convicted, Braswell and Frey face a potential maximum penalty of five years in prison. All sentences will be determined by a federal district court judge. These cases are the result of investigations by the IRS-Criminal Investigation Division and are also being prosecuted by Assistant U.S. Attorney Rank.

These law enforcement actions are, in part, sponsored by the interagency Financial Fraud Enforcement Task Force. The Task Force was established to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. It includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement. Working together, they will bring to bear a powerful array of criminal and civil enforcement resources. The Task Force is also working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

An indictment is a determination by a grand jury that there is probable cause to believe that offenses have been committed by a defendant. A defendant, of course, is presumed innocent until he or she pleads guilty or is proven guilty at trial.

